

COMMISSIONERS OF THE LAND OFFICE

REGULAR MEETING MINUTES

FRIDAY, NOVEMBER 15TH, 2019 AT 9:00 A.M.
GOVERNORS LARGE CONFERENCE ROOM, SECOND FLOOR
STATE CAPITOL BUILDING
OKLAHOMA CITY, OKLAHOMA

Notice was posted online on the Commissioners of the Land Office website and at the Commissioners of the Land Office and the Governor's Large Conference Room at the State Capitol Building before Wednesday, November 13, 2019 at 9:00 a.m.

PRESENT:

Honorable J. Kevin Stitt, Governor and Chairman
Honorable Joy Hofmeister, Superintendent of Public Instruction and Member
Honorable Cindy Byrd, State Auditor and Inspector and Member
Honorable Blayne Arthur, Secretary of Agriculture and Member

LAND OFFICE STAFF PRESENT:

A. Brandt Vawter, Acting Secretary
Keith Kuhlman, Assistant Secretary
Katy Janz, Executive Assistant and HR Director
Bennett Abbott, General Counsel
Jessica Grogis, Director, Communications
Steve Diffie, Director, Royalty Compliance Division
Floyd Evans, Director, Real Estate Management Division
Ed Reyes, Director, Information Technology Division
Karen Johnson, Chief Financial Officer
Dan Whitmarsh, Director, Minerals Management Division
Hannah Pryor, Archivist
Shahnaz Parekh, Internal Auditor
Tricia Langley, Business Manager, Real Estate Management Division
Jennifer Tupps, Attorney, Legal Division
Jared Semtner, Assistant Director, Information Technology Division

VISITORS:

Jeff Peters, Lt. Governor's Office
Megan Winburn, State Auditor's Office
Teena Gunter, Department of Agriculture, Food, and Forestry
Mark Higgins, RVK

Governor Stitt called the meeting to order at 9:00 a.m., ensured the presence of a quorum and proper posting, and called the roll.

Stitt:	Present
Pinnell:	Absent

Hofmeister: Present
Arthur: Present
Byrd: Present

1. Request Approval of Minutes for Regular Meeting Held October 10, 2019

- a. *Presented by Brandt Vawter, Acting Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

The minutes were presented by Acting Secretary Vawter. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Arthur to approve the minutes of the October 10th, 2019 meeting.

Stitt: Aye
Hofmeister: Aye Motion Carried
Arthur: Aye
Byrd: Aye

2. Secretary's Comments

- a. Distributions to beneficiaries for months of October
Acting Secretary Vawter informed the Commissioners that distributions for the month of October totaled approximately \$9.5 million, bringing the total for FY 2020 to \$35.98 million.
- b. Staff changes
Vawter noted that Hannah Pryor had been promoted to Archives Director and that Floyd Evans had been officially named as Real Estate Management Director, after serving as Interim Director for the past few months. He also introduced Dan Whitmarsh, the new Director of Minerals Management Division.
- c. Results of 2019 Real Estate Auctions
The Acting Secretary stated that the October real estate auctions ended with 110 thousand acres leased for a total of \$2.6 million, with 12 tracts unleased. He let the Commissioners know that only 7 tracts remain unleased as of the meeting date.

3. Consideration of Dates for 2020 Commissioners Meetings

Thursday January 9, 2020
Thursday February 13, 2020
Thursday March 12, 2020
Thursday April 9, 2020
Thursday May 14, 2020

Thursday July 9, 2020
Thursday August 13, 2020
Thursday September 10, 2020
Thursday October 8, 2020
Thursday November 12, 2020

Thursday June 11, 2020

Thursday December 10, 2020

Recommendation: The Secretary recommends the approval of the schedule of the Commissioners Meetings.

- a. *Presented by A. Brandt Vawter, Acting Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Byrd to approve the dates for the 2020 meetings.

Stitt:	Aye
Hofmeister:	Aye Motion Carried
Arthur:	Aye
Byrd:	Aye

4. Presentation of September 30, 2019 Quarterly Investment Performance Report by RVK (informational only)

- a. *Presented by Mark Higgins, RVK*
- b. *Discussion*

Mr. Higgins presented the Investment Performance Report, noting that 2019 had been very good, with a \$12.75 million net of fees increase and \$97 million in distributions. Over the past 10 years, the fund has increased by \$1 billion. He did advise the Commissioners to prepare for a drop, as conditions suggested one in the near future.

5. Consideration and Possible Action to Provide Additional Funds for a Professional Services Contract

Authorization to provide additional funding for a professional services contract with the law firm of Tisdale & O'Hara PLLC is requested. The firm currently represents and advises the CLO in several royalty compliance lawsuits. The available balance of funds previously authorized have largely been expended and will be insufficient to continuing pay legal fees. Additional funding in the amount of \$60,000 is requested.

Recommendation: The General Counsel recommends authorizing additional funds to pay attorney fees incurred in ongoing litigation.

- a. *Presented by Bennett Abbott, General Counsel*
- b. *Discussion*

- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

General Counsel Bennett Abbott requested funds as described above. A MOTION was made by Commissioner Arthur and seconded by Commissioner Hofmeister to approve the expenditure of additional funds to the firm of Tisdale & O'Hara PLLC.

Stitt: Aye
Hofmeister: Aye
Arthur: Aye Motion Carried
Byrd: Aye

6. Consideration and Possible Action to Provide Additional Funds for a Professional Services Contract

Authorization to provide additional funding for a professional services contract with the law firm of MaHaffey & Gore, P.C. is requested. The firm currently represents and advises the CLO in several royalty compliance lawsuits. The available balance of funds previously authorized have largely been expended and will be insufficient to continuing pay legal fees. Additional funding in the amount of \$60,000 is requested.

Recommendation: The General Counsel recommends authorizing additional funds to pay attorney fees incurred in ongoing litigation.

- a. *Presented by Bennett Abbott, General Counsel*
b. *Discussion*
c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

General Counsel Bennett Abbott requested additional funds for the firm of MaHaffey & Gore, P.C. in order to pay continuing legal fees in connection with several royalty compliance lawsuits. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Byrd to approve the expenditure.

Stitt: Aye
Hofmeister: Aye Motion Carried
Arthur: Aye
Byrd: Aye

7. Consideration and Possible Action Regarding Approval of Land Sale

Lease No.	Legal Description
101441 Blaine County	<p>A tract of land located in the Southeast Quarter (SE/4) of Section Thirty-six (36), Township Fourteen (14) North, Range Eleven (11) West of the Indian Meridian, Blaine County, Oklahoma, being more particularly described as follows: Commencing at the Southeast corner of said Southeast Quarter;</p> <p>Thence North 89°47'55" West on the South line of said Southeast Quarter (being the basis of bearing for this legal description) for a distance of 1338.85 feet to the Westerly line of US Highway 270081 and the point of beginning; Thence continuing North 89°47'55" West for a distance of 93.83 feet;</p> <p>Thence North 00° 12'05" East for a distance of 238.60 feet;</p> <p>Thence North 89°47'55" West and parallel with the South line of said Southeast Quarter for a distance of 250.00 feet; Thence South 00° 12'05" West for a distance of 238.60 feet to the South line of said Southeast Quarter: Thence North 89°47' 55" West for a distance of 953.90 feet to the Southwest corner of said Southeast Quarter;</p> <p>Thence North 00° 12'24" East on the West line of said Southeast Quarter for a distance of 1449.05 feet; Thence South 89°47'55" East and parallel with the South line of said Southeast Quarter for a distance of 479.35 feet to the Westerly right-of-way line of US Highway 2701281; Thence on the Westerly right-of-way line of US Highway 270/28 1 for the next six calls; Thence South 61°51' 51 " West for a distance of 97.15 feet; Thence South 28°08'09" East for a distance of 263.23 feet; Thence North 61°51' 51" East for a distance of 191.86 feet; Thence South 32°32'05 East for a distance of 65.05 feet; Thence South 28°08'09" East for a distance of 972.29 feet; Thence on a curve to the right having a radius of 1014.69 feet (said curve subtended by a chord which bears South 17°38' 13" East a chord distance of 369.60 feet) an arc distance of 371.68 feet to the point of beginning. This tract contains 30.0 acres more or less.</p>

The Geary Public Schools would like to purchase or exchange 30 acres more or less in the above referenced tract for a future school.

On October 11, 2018, the Commission authorized staff to appraise the 30 acre tract. The appraised market value of the land is \$180,000.

On March 21st, 2019 the Commission authorized the sale of the 30 acre tract by public auction.

On May 7th, 2019 a public auction was held. The successful bidder was Geary School District. The final bid was the minimum bid of \$180,000.

Recommendation: The Director of Real Estate Management recommends the sale of the 30 acre tract in Sec 36-14N-11WIM be approved and a patent be issued to the successful bidder.

- a. *Presented by Floyd Evans, Real Estate Management Director*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Floyd Evans informed the Commissioners that this is the final step in the sale process for the described tract of land. A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Arthur to approve the sale and issue the patent as requested.

Stitt: Aye
Hofmeister: Aye Motion Carried
Arthur: Aye
Byrd: Aye

8. Consideration and Possible Action to Appraise Land for Sale, Exchange or Long-Term Commercial Lease

Lease No.	Legal Description
909433 Oklahoma County	Tract 1: SE/4 Section 22-12N-03WIM containing 1.3463 acres more or less
909434 Oklahoma County	Tract 2: NE/4 Section 22-12N-03WIM containing 5.8868 acres more or less
909435 Oklahoma County	Tract 3: NE/4 Section 22-12N-03WIM containing 1.6730 acres more or less

The Oklahoma Department of Tourism and Recreation would like to purchase, exchange or lease 8.9061 acres more or less in the above referenced tract for future development.

The property will be appraised by three Oklahoma Certified General Appraisers.

Recommendation: Director of Real Estate Management recommends the appraisal of the property for sale be approved

- a. *Presented by Floyd Evans, Real Estate Management Director*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action*

Floyd Evans reminded the Commission that the requested appraisal is the first step in the sale of trust lands. A MOTION was made by Commissioner Byrd and seconded by Commissioner Hofmeister to authorize the appraisal.

Stitt: Aye
Hofmeister: Aye
Arthur: Aye
Byrd: Aye Motion Carried

9. Consent Agenda – Request Approval of September 2019 Agency Monthly Division Summary of Activities

The Agenda items presented on the Consent Agenda are considered as one item for voting purposes. The Consent Agenda includes items that are statutorily or constitutionally required to be performed by the Commissioners of the Land Office or are administrative in nature, which are done as a routine action by the Commissioners of the Land Office. If any member of the Commission or any member of the public requests a particular item or items to be considered individually, the matter or matters shall be considered individually.

- a. *Presented by A. Brandt Vawter, Acting Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Financial Services Division

1. September 2019
 - a. Claims Paid (Routine) (pp 292-294)
 - b. FY 2019 Budget to Actual Expenditure Comparison (p 295)
 - c. FY 2020 Budget to Actual Expenditure Comparison (p 296)

Minerals Management Division

1. September 2019
 - a. 9/18/2019 Oil and Gas Lease Sale Tabulation (pp 297-300)
 - b. Assignments of Oil and Gas Leases (p 300)

Real Estate Management Division

1. September 2019
 - a. Soil Conservation Projects (p 301)
 - b. 20 Year Easements (pp 301-302)
 - c. Renewed 20 Year Easements (p 302)
 - d. Limited Term Right of Entry Permit (p 302)
 - e. Real Estate Lease Auction Results (pp 303-337)

Seeing no discussion or questions, a MOTION was made by Commissioner Byrd and seconded by Commissioner Arthur to approve the Consent Agenda.

Stitt: Aye

Hofmeister: Aye
Arthur: Aye
Byrd: Aye Motion Carried

10. Financial Information Regarding Investments and Monthly Distributions (informational only)

Accounting

- a. October 2019 Distribution by District and Month

Investments

- a. Market Value Comparison September 2019

Acting Secretary Vawter was asked why distributions were down. He explained that the decrease was due to lower mineral lease bonuses.

11. Executive Session

- A. An Executive Session may be convened pursuant to 25 O.S. §307(B)(4) to discuss filing a new lawsuit against Crawley Petroleum Corp. to recover royalties owed on oil and gas leases and related legal claims. Discussion may include scope of claims, legal issues, litigation strategies and risks, and attorney work product.
- B. An Executive Session may be convened pursuant to 25 O.S. §307(B)(3) for discussion of the purchase or appraisal of real property.
 - a. *Presented by Bennett Abbott, General Counsel*
 - b. *Vote to Convene Executive Session*
 - c. *Retire to Executive Session*
 - d. *Vote to Return to Open Session*

A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Arthur to retire to Executive Session.

Stitt: Aye
Hofmeister: Aye Motion Carried
Arthur: Aye
Byrd: Aye

Recording stopped at 9:24

Recording started at 9:44

A MOTION was made by Commissioner Byrd and seconded by Commissioner Arthur to return to open session.

Stitt: Aye
Hofmeister: Aye
Arthur: Aye
Byrd: Aye Motion Carried

Governor Stitt left the meeting at 9:44.

12. Consideration and Possible Action on Executive Session Items

A. The Commission may further consider and take action in open session related to the listed Executive Session agenda items in accordance with 25 O.S. §307(E)(3)

a. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

A MOTION was made by Commissioner Arthur and seconded by Commissioner Byrd to authorize the Secretary to file a lawsuit against Crawley Petroleum Corp. for recovery of royalties owed on oil and gas leases and related legal claims.

Hofmeister: Aye
Arthur: Aye Motion Carried
Byrd: Aye

A MOTION was made by Commissioner Byrd and Seconded by Commissioner Arthur to authorize the CLO Secretary to execute up to four land exchange agreements and a Purchase and Sales Agreement with the intent to acquire the property discussed in executive session. The first property is 40 acres in the NW/4NW/4 Sec. 24-11N-2WIM, Oklahoma County; the second exchange property is 169.52 acres in the E/2 Sec. 36-4N-11WIM, Comanche County; the third exchange is 1.5 acres in the NE/4NE/4 Sec. 16-13N-4WIM, Oklahoma County; the fourth exchange is 8.19 acres in the SW/4SE/4 Sec. 15-12N-3WIM, Oklahoma County. The Purchase and Sales Agreement will be in an amount not to exceed \$24,850,000 in exchange property and cash if necessary, for the real estate investment property located at 9201 N I-35, Oklahoma City, Oklahoma in the NW/4 Sec. 31-13N-2WIM, Oklahoma County.

Hofmeister: Aye
Arthur: Aye
Byrd: Aye Motion Carried

13. New Business

The Commission may discuss, consider and take possible action regarding new business that could not have been reasonably anticipated or was unknown prior to the regular meeting.

Seeing no new business, a MOTION was made by Commissioner Arthur and seconded by Commissioner Byrd to adjourn the meeting.

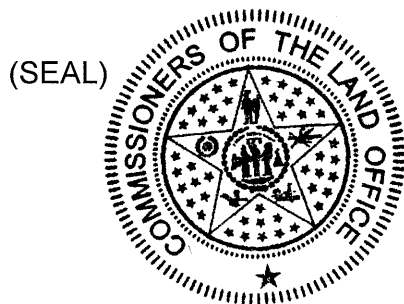
Hofmeister: Aye
Arthur: Aye Motion Carried
Byrd: Aye


A. Brandt Vawter, Acting Secretary

Recording stopped at 9:47

I HEREBY CERTIFY that the foregoing is a true, full and correct report of said meeting.

WITNESS my hand and official signature this 15th day of November 2019.




CHAIRMAN

ATTEST:


A. Brandt Vawter